



Jan 04, 2021

Categories:

[Blogs](#)

[Private Equity Industry](#)

[Blog](#)

Authors:

[Neil Ganulin](#)

Selling Your Company – Consider a SPAC

Private equity funds seeking an exit strategy for their privately held portfolio companies need to consider selling to a Special Purpose Acquisition Company (SPAC). SPACs are a company formed for the sole purpose of acquiring an unidentified business using funds raised in an initial public offering (IPO). SPACs, also known as “blank check” or “reverse merger” companies, are enjoying a resurgence and have billions of dollars to invest and a limited timeframe within which to do so. These companies are actively searching for acquisitions.

Selling to a SPAC offers a private company several advantages:

- The selling process is quicker since the seller only needs to negotiate with one buyer rather than holding an auction or going through the IPO process. The result is a more efficient way to become a public company.
- The seller’s founders and management often maintain a larger equity ownership position and retain their operational positions.
- Sellers often receive a higher sale price from the SPAC than they might receive in an IPO, especially with the stock market’s volatility. There is greater certainty of the selling company’s valuation than in the uncertain IPO process.
- After a sale to a SPAC, the selling company might have a lower debt level than if it was sold to another private equity fund.
- SPAC sponsors may bring knowledge and expertise to the selling company, as well as public company experience, which can help stimulate its growth.

Selling to a SPAC does have some downsides, however:

- The selling company must be prepared to supply the SPAC with all the information it needs for its SEC filing, including audited financial statements.

- The selling company must have procedures and internal controls so that immediately after the transaction closing, it can comply with the SEC's reporting and disclosure requirements.
- SPAC sponsors will retain 20% ownership in the resulting public company.
- The selling company's fair market value must equal 80% or more of the SPAC's assets.

Private equity firms' continued interest in SPACs during 2020 is illustrated by the following:

- From January 1 to September 2020, 85 different SPACs have raised more than \$35 billion in 75 IPOs, which is more than twice the amount raised in 2019.
- For example, in August 2020, RedBird Capital Partners partnered with Billy Beane (the "Moneyball" baseball executive) in a SPAC (raising \$575 million) that hopes to acquire a professional sports team.

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.